

RESULTS

Loss attributable to shareholders of the Company for the year ended 31st March 2003 was approximately HK\$130 million compared with a loss of approximately HK\$183 million last year. Turnover for the year amounted to approximately HK\$239 million, representing a decrease of 61% compared with that of last year. Profit from operations for the year amounted to approximately HK\$13 million, compared with a loss from operations of approximately HK\$136 million last year. Loss per share for the year amounted to 10.14 cents compared with loss per share of 14.26 cents last year. During the year under review, regular profits were generated from the Group's investment properties. Profits were also generated from the sale of certain remaining units of "The Colonnade", a property development of the Group. During the year, provisions for diminution in value of development properties were made and the Group's share of the resulting losses was recognised in the accounts. These accounted for the overall loss of the Group.

Gross rental income and its contribution to profit from operations for the year amounted to approximately HK\$78 million and HK\$69 million respectively, representing a decrease of approximately 15% and 21% respectively when compared with those of last year.

Turnover from sale of property interests and its contribution to profit from operations for the year amounted to approximately HK\$159 million and a profit of approximately HK\$40 million respectively compared with approximately HK\$472 million and a loss of approximately HK\$171 million respectively last year. During the year, the Group continued the disposal of the remaining units of "The Colonnade" and the resulting profits were recognised in the accounts.

Turnover from securities investment and its contribution to profit from operations for the year amounted to approximately HK\$2 million and a loss of approximately HK\$1 million respectively compared with approximately HK\$51 million and a loss of approximately HK\$12 million respectively last year.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's total bank borrowings as at 31st March 2003 amounted to approximately HK\$894 million compared with approximately HK\$816 million as at 31st March 2002. Cash and bank balances and trading securities amounted to approximately HK\$791 million as at 31st March 2003 compared with approximately HK\$708 million as at 31st March 2002. Net borrowings amounted to HK\$103 million as at 31st March 2003 compared with HK\$108 million as at 31st March 2002.

Gearing ratio of the Group which is expressed as a percentage of total bank borrowings to shareholders' funds was 32% as at 31st March 2003 compared with 25% as at 31st March 2002. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was 4% as at 31st March 2003 compared with 3% as at 31st March 2002.

CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL INFORMATION – continued

Of the Group's total bank borrowings, approximately HK\$50 million (6%) is due within one year, approximately HK\$260 million (29%) in more than one year but not exceeding two years, approximately HK\$223 million (25%) in more than two years but not exceeding five years and the remaining balance of approximately HK\$361 million (40%) is due in more than five years.

The above bank borrowings were secured by first charges on certain investment properties, properties held for/under development, properties held for sale, other specified assets of the Group and corporate guarantees from the Company.

EQUITY, RESERVES AND NET ASSET VALUE

The annual revaluation of the Group's investment properties was carried out by DTZ Debenham Tie Leung Limited, independent professional property valuers. The total value of the Group's investment properties as at 31st March 2003 amounted to approximately HK\$1,553 million compared with approximately HK\$1,927 million as at 31st March 2002. The reduction was mainly due to the decrease in the valuation of Elizabeth House Commercial Podium.

Shareholders' funds of the Group as at 31st March 2003 was approximately HK\$2,787 million compared with approximately HK\$3,304 million as at 31st March 2002. The net asset value per share of the Company was HK\$2.17 as at 31st March 2003 compared with HK\$2.57 as at 31st March 2002.

BUSINESS REVIEW AND OUTLOOK

During the year under review, Hong Kong's domestic economy deteriorated further. Unemployment rate was high. Property prices continued to fall. Domestic consumption remained weak. As a result, there was a moderate downward adjustment in the rental income generated from the Elizabeth House Commercial Podium of the Group. Though the Group's hotel business remained stable during the most of the year under review, occupancy as well as the food and beverage business were severely affected by the sudden outbreak of Severe Acute Respiratory Syndrome in March. Fortunately, the travel warning to Hong Kong was lifted by the World Health Organisation subsequent to the end of the year under review. The Group's hotel business is recovering slowly. Nevertheless, full recovery is not expected until early 2004. Construction of the superstructure for the joint venture at Nos. 33 and 35 Island Road, in which the Group has 57% interest, has commenced. It is anticipated that the project will be completed in early 2004.

The Governments of Hong Kong and China have entered into the Close Economic Partnership Arrangement ("CEPA") subsequent to the year end. Under the CEPA, Hong Kong professionals and business entities may enjoy certain privileges to gain access to the Chinese market. It is believed that the CEPA will open up a new era for our economy.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND OUTLOOK – continued

During the year under review, the Board had been requested by United Goal Development Limited ("United Goal"), the then controlling shareholder of the Company, to place before the Company's shareholders the proposal of the group reorganisation. The Board had also been informed by United Goal that United Goal as vendor and Mexan Group Limited as purchaser had entered into a sale and purchase agreement. Pursuant to the sale and purchase agreement, Mexan Group Limited would acquire approximately 74.3% of the entire issued share capital of the Company from United Goal and Mr. Peter Chan.

Subsequent to the year under review, the group reorganisation and the sale and purchase agreement were completed on 20th June 2003 and 26th June 2003 respectively. Due to the significance of the above transactions, shareholders are encouraged to read the circular dated 10th April 2003 issued by the Company in order to have a better understanding of the effects of the group reorganisation on the Group.

EMPLOYEE INFORMATION

As at 31st March 2003, the total number of employees of the Group was 35 (2002: 36). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on periodic basis. Share options were granted to selected eligible executives with a view to provide the directors and employees with an appropriate incentive interests in the growth of the Group. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, professional advisers, bankers, customers and suppliers for their continuous support, patronage and trust. I would also like to thank my fellow directors and staff for their dedicated contribution and loyal services.

Chan Boon Ho, Peter

Chairman

Hong Kong, 15th July 2003